

Message Text

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ACTION PM-07

INFO OCT-01 ARA-16 ISO-00 MC-02 CIAE-00 INR-11 NSAE-00

RSC-01 EB-11 COME-00 TRSE-00 OMB-01 SP-03 IGA-02 L-03

SS-20 DRC-01 /079 W

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R 092220Z AUG 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2073

CSAF

INFO DOD WASHDC

USCINCSO

USAFSO

C O N F I D E N T I A L QUITO 5284

E.O. 11652: GDS

TAGS: MASS, EC

SUBJ: VISIT OF CESSNA OFFICIAL TO PROMOTE PRIVATE SALE OF
A-37B AIRCRAFT

1. EMBASSY WAS VISITED AUGUST 8 BY D.D. FRYE, VICE PRESIDENT FOR MILITARY RELATIONS OF CESSNA CORPORATION. HE IS IN QUITO TO EXPLORE POSSIBILITY OF DIRECT SALE TO GOE OF A-37B AIRCRAFT FOR WHICH CESSNA IS PRIME CONTRACTOR. TRIP IS FOLLOW-UP TO WRITTEN OFFER, SUBMITTED LAST MAY TO FAE COMMANDANT IZURIETA, BASED ON PURCHASE OF 24 OR 36 AIRCRAFT (RATHER THAN 12 FOR WHICH GOE HAS REQUESTED LETTER OF OFFER FROM USG (QUITO 5164.

2. FRYE INDICATED CESSNA'S MOTIVE IS PRIMARILY THAT OF GUARANTEEING COMPANY SUFFICIENT FURTHER ORDERS TO PREVENT SHUTDOWN OF A-37B PRODUCTION LINE IN FEBRUARY 1976. DEADLINE, HE STATED, IS END OF THIS MONTH BECAUSE OF LEAD TIME REQUIRED BY SUB-CONTRACTORS. IN THE EVENT THAT PRODUCTION IS HALTED, STARTUP - ESPECIALLY FOR RELATIVELY SHORT RUN OF TWELVE DESIRED BY ECUADOREANS - COULD RESULT IN APPRECIABLY HIGHER PRICES AND LONGER DELIVERY TIMES IF
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NO ORDERS FROM OTHER BUYERS MATERIALIZED. FRYE SAID

DIRECT SALE IS PREFERRED METHOD, ALTHOUGH HE COULD ENVISAGE FMS SALE ON BASIS OF 300 THOUSAND DOLLAR GOE GUARANTEE TO CESSNA. THUS PROTECTED, COMPANY WOULD MAKE COMMITMENTS TO SUPPLIERS SUFFICIENT TO GUARANTEE KEEPING A-37B LINE OPEN. UPON PLACEMENT WITHIN TWO MONTHS OF FIRM ORDER BY USG ON BEHALF GOE, CESSNA WOULD RETURN ECUADOREAN GUARANTEE. OTHERWISE IT WOULD BE FORFEITED.

3. FRYE LEFT XEROX OF CESSNA'S MAY PROPOSAL, COPIES OF WHICH WILL BE POUCHED TO ADDRESSEES. IT INDICATES UNIT FLYAWAY PRICE OF ABOUT 803 THOUSAND FOR 24, AND 732 THOUSAND FOR 36 AIRCRAFT, PLUS LOGISTICS SUPPORT. THIS APPEARS TO BE SIGNIFICANTLY ABOVE PLANNING FIGURES CONTAINED IN LAST APRIL'S USAF SURVEY TEAM REPORT.

4. WE EXPECT TO SEE FRYE AGAIN AUGUST 9 AND WILL POINT OUT ONCE MORE THAT GOE HAS FORMALLY REQUESTED GOVERNMENT-TO-GOVERNMENT SALE AND THAT WE EXPECT LETTER OF OFFER FOR FMS TRANSACTION WITHIN TWO WEEKS (PER CSAF MSG 021615 AUG 74). WE ALSO INTEND TO DECLINE HIS REQUEST THAT WE INTERVENE WITH MOD IN SUPPORT OF DIRECT SALE.

5. COMMENT: FRYE'S ACTIVITIES NOTWITHSTANDING, WE HAVE NO DIRECT INDICATION FROM GOE THAT IT IS INTERESTED IN ANYTHING OTHER THAN AN FMS SALE.
BREWSTER

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Message Attributes

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